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Substantively Consolidated SIPA Liquidation of  
Bernard L. Madoff Investment Securities LLC and Bernard L. Madoff*

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES INVESTOR PROTECTION  
CORPORATION,

Plaintiff-Applicant,  
v.

BERNARD L. MADOFF INVESTMENT  
SECURITIES LLC,

Defendant.

In re:

BERNARD L. MADOFF,

Debtor.

IRVING H. PICARD, Trustee for the Liquidation  
of Bernard L. Madoff Investment Securities LLC,

Plaintiff,  
v.

FGLS Equity LLC

Defendant.

Adv. Pro. No. 08-01789 (BRL)

SIPA LIQUIDATION

(Substantively Consolidated)

Adv. Pro. No. 10-\_\_\_\_\_ (BRL)

## COMPLAINT

Irving H. Picard (the “Trustee”), as trustee for the liquidation of the business of Bernard L. Madoff Investment Securities LLC (“BLMIS”) under the Securities Investor Protection Act, 15 U.S.C. §§ 78aaa, *et seq.* (“SIPA”),<sup>1</sup> and the substantively consolidated estate of Bernard L. Madoff individually (“Madoff”), by and through his undersigned counsel, for his complaint (the “Complaint”), states as follows:

### **NATURE OF PROCEEDING**

1. This adversary proceeding arises from the massive Ponzi scheme perpetrated by Madoff. Over the course of the scheme, there were more than 8,000 client accounts at BLMIS. In early December 2008, BLMIS generated client account statements for its approximately 4,900 open client accounts. When added together, these statements purport that clients of BLMIS had approximately \$65 billion invested with BLMIS. In reality, BLMIS had assets on hand worth a small fraction of that amount. On March 12, 2009, Madoff admitted to the fraudulent scheme and pled guilty to 11 felony counts, and was sentenced on June 29, 2009 to 150 years in prison. The within defendant FGLS Equities LLC (“Defendant”) received avoidable transfers from BLMIS.

2. Within the 90 days prior to the Filing Date (defined below), Defendant received the amount of \$2,350,000.00 from BLMIS. As a result of this preference payment, Defendant is in a more favorable position than other defrauded customers of BLMIS.

3. This adversary proceeding is brought pursuant to sections 78fff(b), 78fff-1(a) and 78fff-2(c)(3) of SIPA, sections 105(a), 502(d), 544, 547, 550(a) and 551 of title 11 of the United States Code (the “Bankruptcy Code”) and other applicable law, for avoidance of preferential

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<sup>1</sup> For convenience, future reference to SIPA will not include “15 U.S.C.”

transfers in connection with certain transfers of property by BLMIS to or for the benefit of Defendant. The Trustee seeks to set aside such transfers and preserve and recover the property for the benefit of BLMIS' defrauded customers.

**JURISDICTION AND VENUE**

4. This is an adversary proceeding commenced before the same Court before whom the main underlying SIPA proceeding, No. 08-01789 (BRL) (the "SIPA Proceeding"), is pending. The SIPA Proceeding was originally brought in the United States District Court for the Southern District of New York as *Securities Exchange Commission v. Bernard L. Madoff Investment Securities LLC et al.*, No. 08 CV 10791 (the "District Court Proceeding") and has been referred to this Court. This Court has jurisdiction over this adversary proceeding under 28 U.S.C. § 1334(b) and 15 U.S.C. §§ 78eee(b)(2)(A), (b)(4).

5. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (B), (C), (F) and (O).

6. Venue in this district is proper under 28 U.S.C. § 1409.

**DEFENDANT**

7. Defendant FGLS Equity LLC is a limited liability corporation that was formed under the laws of the state of New York. Its principal place of business is located at 440 Park Avenue South, 10th Floor, New York, New York 10016. Defendant holds a BLMIS account in the name, "FGLS Equity LLC," with the account address reported as c/o Marc Bogatin, Esq., 277 Broadway, Suite 900, New York, New York 10007.

**BACKGROUND, THE TRUSTEE AND STANDING**

8. On December 11, 2008 (the “Filing Date”),<sup>2</sup> Madoff was arrested by federal agents for violation of the criminal securities laws, including, *inter alia*, securities fraud, investment adviser fraud, and mail and wire fraud. Contemporaneously, the Securities and Exchange Commission (“SEC”) filed a complaint in the District Court which commenced the District Court Proceeding against Madoff and BLMIS. The District Court Proceeding remains pending in the District Court. The SEC complaint alleged that Madoff and BLMIS engaged in fraud through the investment advisor activities of BLMIS.

9. On December 12, 2008, The Honorable Louis L. Stanton of the District Court entered an order appointing Lee S. Richards, Esq. (the “Receiver”) as receiver for the assets of BLMIS.

10. On December 15, 2008, pursuant to section 78eee(a)(4)(A) of SIPA, the SEC consented to a combination of its own action with an application of the Securities Investor Protection Corporation (“SIPC”). Thereafter, pursuant to section 78eee(a)(4)(B) of SIPA, SIPC filed an application in the District Court alleging, *inter alia*, that BLMIS was not able to meet its obligations to securities customers as they came due and, accordingly, its customers needed the protections afforded by SIPA.

11. Also on December 15, 2008, Judge Stanton granted the SIPC application and entered an order pursuant to SIPA (the “Protective Decree”), which, in pertinent part:

a. appointed the Trustee for the liquidation of the business of BLMIS pursuant to section 78eee(b)(3) of SIPA;

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<sup>2</sup> Section 78lll(7)(B) of SIPA states that the filing date is “the date on which an application for a protective decree is filed under 78eee(a)(3),” except where the debtor is the subject of a proceeding pending before a United States court “in which a receiver, trustee, or liquidator for such debtor has been appointed and such proceeding was commenced before the date on which such application was filed, the term ‘filing date’ means the date on which such proceeding

b. appointed Baker & Hostetler LLP as counsel to the Trustee pursuant to section 78eee(b)(3) of SIPA; and

c. removed the case to this Court pursuant to section 78eee(b)(4) of SIPA.

By this Protective Decree, the Receiver was removed as Receiver for BLMIS.

12. By orders dated December 23, 2008 and February 4, 2009, respectively, the Bankruptcy Court approved the Trustee's bond and found that the Trustee was a disinterested person. Accordingly, the Trustee is duly qualified to serve and act on behalf of the estate of BLMIS.

13. At a Plea Hearing on March 12, 2009 in the case captioned *United States v. Madoff*, Case No. 09-CR-213(DC), Madoff pled guilty to an eleven-count criminal information filed against him by the United States Attorneys' Office for the Southern District of New York. At the Plea Hearing, Madoff admitted that he "operated a Ponzi scheme through the investment advisory side of [BLMIS]." Plea Allocution of Bernard L. Madoff at 23, *United States v. Madoff*, No. 09-CR-213 (DC) (S.D.N.Y. March 12, 2009) (Docket No. 50). Additionally, Madoff asserted "[a]s I engaged in my fraud, I knew what I was doing [was] wrong, indeed criminal." *Id.* Madoff was sentenced on June 29, 2009 to 150 years in prison.

14. On August 11, 2009, a former BLMIS employee, Frank DiPascali, pled guilty to participating in and conspiring to perpetuate the Ponzi scheme. At a Plea Hearing on August 11, 2009 in the case entitled *United States v. DiPascali*, Case No. 09-CR-764 (RJS), DiPascali pled guilty to a ten-count criminal information. Among other things, DiPascali admitted that the fictitious scheme had begun at BLMIS since at least the 1980s. Plea Allocution of Frank

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was commenced." 15 U.S.C. § 78lll(7)(B). Thus, even though the application for a protective decree was filed on December 15, 2008, the Filing Date in this action is December 11, 2008.

DiPascali at 46, *United States v. DiPascali*, No. 09-CR-764 (RJS) (S.D.N.Y. Aug. 11, 2009) (Docket No. 11).

15. As the Trustee appointed under SIPA, the Trustee is charged with recovering and paying out customer property to BLMIS' customers, assessing claims, and liquidating any other assets of the firm for the benefit of the estate and its creditors. The Trustee is in the process of marshalling BLMIS' assets, and the liquidation of BLMIS' assets is well underway. However, such assets will not be sufficient to reimburse the customers of BLMIS for the billions of dollars that they invested with BLMIS over the years. Consequently, the Trustee must use his authority under SIPA and the Bankruptcy Code to pursue recovery from customers who received preferences and/or payouts of fictitious profits to the detriment of other defrauded customers whose money was consumed by the Ponzi scheme. Absent this or other recovery actions, the Trustee will be unable to satisfy the claims described in subparagraphs (A) through (D) of SIPA section 78fff-2(c)(1).

16. Pursuant to section 78fff-1(a), the Trustee has the general powers of a bankruptcy trustee in a case under the Bankruptcy Code in addition to the powers granted by SIPA pursuant to SIPA section 78fff(b). Chapters 1, 3, 5 and subchapters I and II of chapter 7 of the Bankruptcy Code apply to this proceeding to the extent consistent with SIPA.

17. Pursuant to sections 78fff(b) and 78fff(7)(B) of SIPA, the Filing Date is deemed to be the date of the filing of the petition within the meaning of section 547 of the Bankruptcy Code.

The Trustee has standing to bring these claims pursuant to section 78fff-1(a) of SIPA and the Bankruptcy Code, including sections 323(b) and 704(a)(1), because, among other reasons:

- a. the Defendants received “Customer Property” as defined in 15 U.S.C. §78*III*(4);
- b. BLMIS incurred losses as a result of the claims set forth herein;
- c. BLMIS’ customers were injured as a result of the conduct detailed herein;
- d. SIPC has not reimbursed, and statutorily cannot fully reimburse, all customers for all of their losses;
- e. the Trustee will not be able to fully satisfy all claims;
- f. the Trustee, as bailee of customer property, can sue on behalf of the customer bailors; and
- g. The Trustee is the assignee of claims paid, and to be paid, to customers of BLMIS who have filed claims in the liquidation proceeding (such claim-filing customers, collectively, “Accountholders”). As of the date hereof, the Trustee has received multiple express unconditional assignments of the applicable Accountholders’ causes of action, which actions could have been asserted against Defendant. As assignee, the Trustee stands in the shoes of persons who have suffered injury in fact and a distinct and palpable loss for which the Trustee is entitled to reimbursement in the form of monetary damages. The Trustee brings this action on behalf of, among others, those defrauded customers of BLMIS who invested more money in BLMIS than they withdrew; and
- h. SIPC is the subrogee of claims paid, and to be paid, to customers of BLMIS who have filed claims in the liquidation proceeding. SIPC has expressly conferred upon the Trustee enforcement of its rights of subrogation with respect to payments it has made and is making to customers of BLMIS from SIPC funds.

**THE FRAUDULENT PONZI SCHEME**

18. Founded in 1959, BLMIS began operations as a sole proprietorship of Madoff and later, effective January 2001, formed as a New York limited liability company wholly owned by Madoff. Since in or about 1986, BLMIS operated from its principal place of business at 885 Third Avenue, New York, New York. Madoff, as founder, proprietor, chairman, and chief executive officer, ran BLMIS together with several family members and a number of additional employees. BLMIS was registered with the SEC as a securities broker-dealer under section 15(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78o(b). By that registration, BLMIS is a member of SIPC. BLMIS had three business units: investment advisory (the “IA Business”), market making and proprietary trading.

19. For certain accounts in the IA Business, BLMIS purported to participate in a capital appreciation/depreciation strategy, depending on whether the customer sought to generate gains or losses. For example, the strategy was executed by either purporting to purchase small groups of securities near lows and then purporting to sell those same securities at highs, or by purporting to short-sell securities near highs and then purporting to repurchase those securities near lows.

20. For other accounts, Madoff described the IA Business’ strategy as a “split-strike conversion” strategy. Madoff promised these clients that their funds would be invested in a basket of common stocks within the S&P 100 Index, which is a collection of the 100 largest U.S. publicly traded companies. The basket of stocks would be intended to mimic the movement of the S&P 100 Index. Madoff asserted that he would carefully time purchases and sales to maximize value, but this meant that the clients’ funds would intermittently be out of the market, at which times they would purportedly be invested in U.S. issued securities and money market funds. The second part of the split-strike conversion strategy was the hedge of such purchases

21. Although clients of the IA Business received monthly or quarterly statements purportedly showing the securities that were held in – or had been traded through – their accounts, as well as the growth of and profit from those accounts over time, the trades reported on these statements were a complete fabrication. The security purchases and sales depicted in the account statements virtually never occurred and the profits reported were entirely fictitious. At his Plea Hearing, Madoff admitted that he never in fact purchased any of the securities he claimed to have purchased for customer accounts. *See* Plea Allocution of Bernard L. Madoff at 3, *United States v. Madoff*, No. 09-CR-213 (DC) (S.D.N.Y. March 12, 2009) (Docket No. 50). Indeed, based on the Trustee’s investigation to date and with the exception of isolated individual trades for certain clients other than Defendant, there is no record of BLMIS having cleared any purchase or sale of securities on behalf of the IA Business at the Depository Trust & Clearing Corporation, the clearing house for such transactions.

22. Prior to his arrest, Madoff assured clients and regulators that he conducted all trades on the over-the-counter market after hours. To bolster that lie, Madoff periodically wired tens of millions of dollars to BLMIS’ affiliate, Madoff Securities International Ltd. (“MSIL”), a London based entity substantially owned by Madoff and his family. There are no records that MSIL ever used the wired funds to purchase securities for the accounts of the IA Business clients.

23. Additionally, based on the Trustee's investigation to date, there is no evidence that BLMIS ever purchased or sold any of the options that Madoff claimed on customer statements to have purchased and sold.

24. For all periods relevant hereto, the IA Business was operated as a Ponzi scheme and Madoff and his co-conspirators concealed the ongoing fraud in an effort to hinder, delay or defraud other current and prospective customers of BLMIS. The money received from investors was not set aside to buy securities as purported, but instead was primarily used to make the distributions to – or payments on behalf of – other investors. The money sent to BLMIS for investment, in short, was simply used to keep the scheme going and to enrich Madoff, his associates and others, including Defendant, until such time as the requests for redemptions in December 2008 overwhelmed the flow of new investments and caused the inevitable collapse of the Ponzi scheme.

25. The payments to investors constituted an intentional misrepresentation of fact regarding the underlying accounts and were an integral and essential part of the fraud. The payments were necessary to validate the false account statements, and were made to avoid detection of the fraud, to retain existing investors and to lure other investors into the Ponzi scheme.

26. During the scheme, certain investors requested and received distributions of the so-called “profits” listed for their accounts which were nothing more than fictitious profits. Other investors, from time to time, redeemed or closed their accounts, or removed portions of purportedly available funds, and were paid consistently with the statements they had been receiving. Some of those investors later re-invested part or all of those withdrawn payments with BLMIS.

27. When payments were made to or on behalf of these investors, including Defendant, the falsified monthly statements of accounts reported that the accounts of such investors included substantial gains. In reality, BLMIS had not invested the investors' principal as reflected in customer statements. In an attempt to conceal the ongoing fraud and thereby hinder, delay or defraud other current and prospective investors, BLMIS paid to or on behalf of certain investors the inflated amounts reflected in the falsified financial statements, including principal and/or fictitious profits.

28. BLMIS used the funds deposited from new investments to continue operations and pay redemption proceeds to or on behalf of other investors and to make other transfers. Due to the siphoning and diversion of new investments to fund redemptions requested by other investors, BLMIS did not have the funds to pay investors on account of their new investments. BLMIS was able to stay afloat only by using the principal invested by some clients to pay other investors or their designees.

29. In an effort to hinder, delay or defraud authorities from detecting the fraud, BLMIS did not register as an Investment Advisor until September 2006.

30. In or about January 2008, BLMIS filed with the SEC a Uniform Application for Investment Adviser Registration. The application represented, *inter alia*, that BLMIS had 23 customer accounts and assets under management of approximately \$17.1 billion. In fact, in January 2008, BLMIS had approximately 4,900 active client accounts with a purported value of approximately \$65 billion under management.

31. Not only did Madoff seek to evade regulators, Madoff also had false audit reports "prepared" by Friehling & Horowitz, a three-person accounting firm in Rockland County, New

32. At all times relevant hereto, the liabilities of BLMIS were billions of dollars greater than the assets of BLMIS. At all relevant times, BLMIS was insolvent in that (i) its assets were worth less than the value of its liabilities; (ii) it could not meet its obligations as they came due; and (iii) at the time of the transfers, BLMIS was left with insufficient capital.

### **THE TRANSFERS**

33. According to BLMIS' records, an account (No. 1F0178) was maintained with BLMIS as set forth on Exhibit A (the "Account"). Upon information and belief, for the Account, Defendant executed a Customer Agreement, an Option Agreement, and/or a Trading Authorization Limited to Purchases and Sales of Securities and Options (collectively, the "Account Agreements"), and delivered such documents to BLMIS at BLMIS' headquarters at 885 Third Avenue, New York, New York.

34. The Account Agreements were to be performed in New York, New York through securities trading activities that would take place in New York, New York. The Account was held in New York, New York, and Defendant sent funds to BLMIS and/or to BLMIS' account at JPMorgan Chase & Co., Account #xxxxxxxxxx1703 (the "BLMIS Bank Account") in New York, New York for application to the Account and the purported conducting of trading activities. Between the date the account was opened and the Filing Date, Defendant made deposits to BLMIS through checks and/or wire transfers into the BLMIS Bank Account and/or received inter-account transfers from other BLMIS accounts.

35. During the 90 days prior to the Filing Date, BLMIS made payments (collectively, the “Transfers”) totaling the amount of \$2,350,000.00 to the Defendant. The Transfers were made to or for the benefit of the Defendant and are set forth on Exhibit B annexed hereto.

36. The Transfers represent the return of principal received during the 90 days prior to the Filing Date, and are avoidable and recoverable under sections 544, 547, 550(a)(1) and 551 of the Bankruptcy Code and applicable provisions of SIPA, particularly SIPA section 78fff-2(c)(3).

37. The Trustee’s investigation is ongoing and the Trustee reserves the right to (i) supplement the information regarding the Transfers, and any additional transfers and (ii) seek recovery of such additional transfers.

38. To the extent that any of the avoidance and/or recovery counts may be inconsistent with each other, they are to be treated as being pled in the alternative.

### **CUSTOMER CLAIMS**

39. On or about June 25, 2009, Defendant filed a customer claim with the Trustee which the Trustee has designated as Claim # 011505 (the “Customer Claim”).

### **COUNT ONE** **PREFERENTIAL TRANSFER - 11 U.S.C. §§ 547(b), 550 AND 551**

40. To the extent applicable, the Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

41. At the time of each of the Preference Period Transfers received within the 90 days prior to the Filing Date, Defendant was a “creditor” of BLMIS within the meaning of section 101(10) of the Bankruptcy Code and pursuant to section 78fff-2(c)(3) of SIPA.

42. Each of the Preference Period Transfers constitutes a transfer of an interest of BLMIS in property within the meaning of section 101(54) of the Bankruptcy Code and pursuant to section 78fff-2(c)(3) of SIPA.

43. Each of the Preference Period Transfers was to or for the benefit of Defendant.

44. Each of the Preference Period Transfers was made for or on account of an antecedent debt owed by BLMIS before such transfer was made.

45. Each of the Preference Period Transfers was made while BLMIS was insolvent.

46. Each of the Preference Period Transfers was made within 90 days of the Filing Date.

47. Each of the Preference Period Transfers enabled Defendant to receive more than the Defendant would receive if (i) this case was a case under chapter 7 of the Bankruptcy Code, (ii) the transfers had not been made, and (iii) Defendant received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

48. Each of the Preference Period Transfers constituted a preferential transfer avoidable by the Trustee pursuant to section 547(b) of the Bankruptcy Code and recoverable from Defendant pursuant to section 550(a) and section 78fff-2(c)(3) of SIPA.

49. As a result of the foregoing, pursuant to sections 547(b), 550, and 551 of the Bankruptcy Code and section 78fff-2(c)(3) of SIPA, the Trustee is entitled to a judgment against Defendant: (a) avoiding and preserving the Preference Period Transfers, (b) directing that the Preference Period Transfers be set aside and (c) recovering the Preference Period Transfers, or the value thereof, for the benefit of the estate of BLMIS.

**COUNT TWO**  
**DISALLOWANCE OF DEFENDANT'S SIPA CLAIM**

50. To the extent applicable, the Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

51. On or about June 25, 2009, Defendant filed a Customer Claim in the SIPA proceeding.

52. Defendant's Customer Claim should not be allowed pursuant to section 502(d) of the Bankruptcy Code. Defendant is the recipient of Transfers of BLMIS' property which are avoidable and recoverable under sections 547 and 550 of the Bankruptcy Code, and Defendant has not returned the Transfers to the Trustee.

WHEREFORE, the Trustee respectfully requests that this Court enter judgment in favor of the Trustee and against Defendant as follows:

i. On the First Claim for Relief, pursuant to sections 547, 550(a) and 551 of the Bankruptcy Code and section 78fff-2(c)(3) of SIPA: (a) avoiding and preserving the Preference Period Transfers, (b) directing that the Preference Period Transfers be set aside, and (c) recovering the Preference Period Transfers, or the value thereof, from Defendant for the benefit of the estate of BLMIS;

ii. On the Second Claim for Relief, the Defendant's Customer Claim should not be allowed pursuant to section 502(d) of the Bankruptcy Code unless and until the Transfers are paid or turned over;

iii. On all Claims for Relief, pursuant to federal common law awarding the Trustee prejudgment interest from the date on which the Transfers were received;

iv. On all Claims for Relief, establishment of a constructive trust over the proceeds of the Transfers in favor of the Trustee for the benefit of BLMIS' estate;

v. On all Claims for Relief, awarding the Trustee all applicable interest, costs, and disbursements of this action; and

vi. On all Claims for Relief, granting Plaintiff such other, further, and different relief as the Court deems just, proper and equitable.

Date: November 12, 2010  
New York, New York

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Substantively Consolidated SIPA Liquidation  
of Bernard L. Madoff Investment Securities  
LLC and Bernard L. Madoff*

BLMIS Account Name	BLMIS Account Number
FGLS EQUITY LLC C/O STEVEN MENDELOW	1F0178

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11
Date	Transaction Description	Transaction Amount	Cash Deposits	Cash Withdrawals	Transfers of Principal In	Transfers of Principal Out	Balance of Principal	90-Day Preferential Transfers	2-Year Fraudulent Transfers	6-Year Fraudulent Conveyances
		Reported in Customer Statement						90-Day Preferential Transfers	2-Year Fraudulent Transfers	6-Year Fraudulent Conveyances
11/1/2002	TRANS FROM 1ZA54230 (1ZA542)	3,149,075 <sup>[1]</sup>	-	-	-	-	-	-	-	-
12/24/2002	CHECK	(100,000)	-	(100,000)	-	-	(100,000)	-	-	-
1/3/2003	CHECK	95,000	95,000	-	-	-	(5,000)	-	-	-
3/6/2003	CHECK	300,000	300,000	-	-	-	295,000	-	-	-
4/9/2003	CHECK	40,000	40,000	-	-	-	335,000	-	-	-
4/23/2003	CHECK	40,000	40,000	-	-	-	375,000	-	-	-
5/9/2003	CHECK	20,000	20,000	-	-	-	395,000	-	-	-
6/5/2003	CHECK	90,000	90,000	-	-	-	485,000	-	-	-
6/10/2003	CHECK	200,000	200,000	-	-	-	685,000	-	-	-
7/21/2003	CHECK	500,000	500,000	-	-	-	1,185,000	-	-	-
7/31/2003	CHECK	300,000	300,000	-	-	-	1,485,000	-	-	-
8/12/2003	CHECK	185,000	185,000	-	-	-	1,670,000	-	-	-
9/4/2003	CHECK	(800,000)	-	(800,000)	-	-	870,000	-	-	-
9/12/2003	CHECK	500,000	500,000	-	-	-	1,370,000	-	-	-
9/23/2003	CHECK	525,000	525,000	-	-	-	1,895,000	-	-	-
10/14/2003	CHECK	170,000	170,000	-	-	-	2,065,000	-	-	-
11/6/2003	CHECK	200,000	200,000	-	-	-	2,265,000	-	-	-
11/18/2003	CHECK	(300,000)	-	(300,000)	-	-	1,965,000	-	-	-
11/26/2003	CHECK	615,000	615,000	-	-	-	2,580,000	-	-	-
12/5/2003	CHECK	270,000	270,000	-	-	-	2,850,000	-	-	-
12/17/2003	CHECK	(50,000)	-	(50,000)	-	-	2,800,000	-	-	-
1/16/2004	CHECK	(860,000)	-	(860,000)	-	-	1,940,000	-	-	-
1/26/2004	CHECK	(60,000)	-	(60,000)	-	-	1,880,000	-	-	-
2/26/2004	CHECK	(150,000)	-	(150,000)	-	-	1,730,000	-	-	-
3/4/2004	CHECK	(25,000)	-	(25,000)	-	-	1,705,000	-	-	-
3/29/2004	CHECK	230,000	230,000	-	-	-	1,935,000	-	-	-
4/21/2004	CHECK	500,000	500,000	-	-	-	2,435,000	-	-	-
6/23/2004	CHECK	(600,000)	-	(600,000)	-	-	1,835,000	-	-	-
7/13/2004	CHECK	150,000	150,000	-	-	-	1,985,000	-	-	-
9/14/2004	CHECK	135,000	135,000	-	-	-	2,120,000	-	-	-
10/1/2004	CHECK	460,000	460,000	-	-	-	2,580,000	-	-	-
10/28/2004	CHECK	525,000	525,000	-	-	-	3,105,000	-	-	-
11/2/2004	CHECK	75,000	75,000	-	-	-	3,180,000	-	-	-
11/8/2004	CHECK	550,000	550,000	-	-	-	3,730,000	-	-	-
11/23/2004	CHECK	50,000	50,000	-	-	-	3,780,000	-	-	-
12/13/2004	CHECK	50,000	50,000	-	-	-	3,830,000	-	-	-
1/26/2005	CHECK	(500,000)	-	(500,000)	-	-	3,330,000	-	-	-
2/11/2005	CHECK	150,000	150,000	-	-	-	3,480,000	-	-	-
2/25/2005	CHECK	(65,000)	-	(65,000)	-	-	3,415,000	-	-	-
5/9/2005	CHECK	150,000	150,000	-	-	-	3,565,000	-	-	-
5/20/2005	CHECK	100,000	100,000	-	-	-	3,665,000	-	-	-
6/14/2005	CHECK	1,170,000	1,170,000	-	-	-	4,835,000	-	-	-
6/24/2005	CHECK	425,000	425,000	-	-	-	5,260,000	-	-	-
7/20/2005	CHECK	50,000	50,000	-	-	-	5,310,000	-	-	-
8/17/2005	CHECK	100,000	100,000	-	-	-	5,410,000	-	-	-
8/24/2005	CHECK	170,000	170,000	-	-	-	5,580,000	-	-	-
9/1/2005	CHECK	(70,000)	-	(70,000)	-	-	5,510,000	-	-	-
9/7/2005	CHECK	(500,000)	-	(500,000)	-	-	5,010,000	-	-	-
9/26/2005	CHECK	150,000	150,000	-	-	-	5,160,000	-	-	-
11/4/2005	CHECK	325,000	325,000	-	-	-	5,485,000	-	-	-
12/2/2005	CHECK	1,000,000	1,000,000	-	-	-	6,485,000	-	-	-
12/23/2005	CHECK	75,000	75,000	-	-	-	6,560,000	-	-	-
1/1/2006	CHECK	200,000	200,000	-	-	-	6,760,000	-	-	-
1/17/2006	CHECK	(4,350,000)	-	(4,350,000)	-	-	2,410,000	-	-	-
2/6/2006	CHECK	450,000	450,000	-	-	-	2,860,000	-	-	-
4/4/2006	CHECK	100,000	100,000	-	-	-	2,960,000	-	-	-
5/31/2006	CHECK	250,000	250,000	-	-	-	3,210,000	-	-	-
6/19/2006	CHECK	250,000	250,000	-	-	-	3,460,000	-	-	-
7/26/2006	CHECK	(200,000)	-	(200,000)	-	-	3,260,000	-	-	-

Column 1 <u>Date</u>	Column 2 <u>Transaction Description</u>	Column 3 <u>Transaction Amount</u>	Column 4 <u>Reported in Customer Statement</u>	Column 5 <u>Cash Deposits</u>	Column 6 <u>Cash Withdrawals</u>	Column 7 <u>Transfers of Principal In</u>	Column 8 <u>Transfers of Principal Out</u>	Column 9 <u>Balance of Principal</u>	Column 10 <u>90-Day Preferential Transfers</u>	Column 11 <u>2-Year Fraudulent Transfers</u>	Column 12 <u>6-Year Conveyances</u>
8/15/2006	CHECK	200,000	200,000	-	-	-	-	3,460,000	-	-	-
9/15/2006	CHECK	200,000	200,000	-	-	-	-	3,660,000	-	-	-
9/20/2006	CHECK	350,000	350,000	-	-	-	-	4,010,000	-	-	-
10/18/2006	CHECK	275,000	275,000	-	-	-	-	4,285,000	-	-	-
11/10/2006	CHECK	(100,000)	-	(100,000)	-	-	-	4,185,000	-	-	-
11/21/2006	CHECK	(300,000)	-	(300,000)	-	-	-	3,885,000	-	-	-
12/11/2006	CHECK	200,000	200,000	-	-	-	-	4,085,000	-	-	-
12/19/2006	CHECK	(450,000)	-	(450,000)	-	-	-	3,635,000	-	-	-
1/12/2007	CHECK	185,000	185,000	-	-	-	-	3,820,000	-	-	-
1/16/2007	CHECK	240,000	240,000	-	-	-	-	4,060,000	-	-	-
1/31/2007	CHECK	115,000	115,000	-	-	-	-	4,175,000	-	-	-
1/31/2007	CHECK	550,000	550,000	-	-	-	-	4,725,000	-	-	-
1/31/2007	CHECK	55,000	55,000	-	-	-	-	4,780,000	-	-	-
1/31/2007	CANCEL CHECK	(550,000)	(550,000)	-	-	-	-	4,230,000	-	-	-
2/5/2007	CHECK	(65,000)	-	(65,000)	-	-	-	4,165,000	-	-	-
2/14/2007	CHECK	100,000	100,000	-	-	-	-	4,265,000	-	-	-
3/9/2007	CHECK	85,000	85,000	-	-	-	-	4,350,000	-	-	-
4/2/2007	CHECK	175,000	175,000	-	-	-	-	4,525,000	-	-	-
4/9/2007	CHECK	(50,000)	-	(50,000)	-	-	-	4,475,000	-	-	-
4/13/2007	CHECK	600,000	600,000	-	-	-	-	5,075,000	-	-	-
5/7/2007	CHECK	(100,000)	-	(100,000)	-	-	-	4,975,000	-	-	-
5/11/2007	CHECK	(500,000)	-	(500,000)	-	-	-	4,475,000	-	-	-
5/21/2007	CHECK	(100,000)	-	(100,000)	-	-	-	4,375,000	-	-	-
6/8/2007	CHECK	(250,000)	-	(250,000)	-	-	-	4,125,000	-	-	-
6/21/2007	CHECK	300,000	300,000	-	-	-	-	4,425,000	-	-	-
8/14/2007	CHECK	50,000	50,000	-	-	-	-	4,475,000	-	-	-
8/28/2007	CHECK	(50,000)	-	(50,000)	-	-	-	4,425,000	-	-	-
9/10/2007	CHECK	125,000	125,000	-	-	-	-	4,550,000	-	-	-
9/26/2007	CHECK	(50,000)	-	(50,000)	-	-	-	4,500,000	-	-	-
11/9/2007	CHECK	350,000	350,000	-	-	-	-	4,850,000	-	-	-
11/30/2007	CHECK	(300,000)	-	(300,000)	-	-	-	4,550,000	-	-	-
12/6/2007	CHECK	(50,000)	-	(50,000)	-	-	-	4,500,000	-	-	-
12/19/2007	CHECK	(250,000)	-	(250,000)	-	-	-	4,250,000	-	-	-
12/26/2007	CHECK	(100,000)	-	(100,000)	-	-	-	4,150,000	-	-	-
1/16/2008	CHECK	125,000	125,000	-	-	-	-	4,275,000	-	-	-
2/8/2008	CHECK	100,000	100,000	-	-	-	-	4,375,000	-	-	-
2/28/2008	CHECK	525,000	525,000	-	-	-	-	4,900,000	-	-	-
4/7/2008	CHECK	700,000	700,000	-	-	-	-	5,600,000	-	-	-
4/7/2008	CHECK	(700,000)	-	(700,000)	-	-	-	4,900,000	-	-	-
4/25/2008	CHECK	750,000	750,000	-	-	-	-	5,650,000	-	-	-
5/23/2008	CHECK	(200,000)	-	(200,000)	-	-	-	5,450,000	-	-	-
5/28/2008	CHECK	(125,000)	-	(125,000)	-	-	-	5,325,000	-	-	-
6/2/2008	STOP PAYMENT	125,000	-	125,000	-	-	-	5,450,000	-	-	-
6/9/2008	CHECK	(125,000)	-	(125,000)	-	-	-	5,325,000	-	-	-
6/12/2008	CHECK	200,000	200,000	-	-	-	-	5,525,000	-	-	-
6/30/2008	CHECK	500,000	500,000	-	-	-	-	6,025,000	-	-	-
8/5/2008	CHECK	(300,000)	-	(300,000)	-	-	-	5,725,000	-	-	-
8/22/2008	CHECK	300,000	300,000	-	-	-	-	6,025,000	-	-	-
9/2/2008	CHECK	(325,000)	-	(325,000)	-	-	-	5,700,000	-	-	-
9/16/2008	CHECK	100,000	100,000	-	-	-	-	5,800,000	-	-	-
9/24/2008	CHECK	(1,225,000)	-	(1,225,000)	-	-	-	4,575,000	(375,000)	-	-
9/29/2008	CHECK	850,000	850,000	-	-	-	-	5,425,000	-	-	-
10/16/2008	CHECK	(125,000)	-	(125,000)	-	-	-	5,300,000	(125,000)	-	-
10/31/2008	CHECK	(250,000)	-	(250,000)	-	-	-	5,050,000	(250,000)	-	-
11/5/2008	CHECK	(1,200,000)	-	(1,200,000)	-	-	-	3,850,000	(1,200,000)	-	-

## BLMIS ACCOUNT NO. 1F0178 FGTS EQUITY LLC - GO STEVEN MENDELOW

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11
		<u>Transaction Amount</u>						<u>90-Day</u>	<u>2-Year</u>	<u>6-Year</u>
<u>Date</u>	<u>Transaction Description</u>	<u>Reported in Customer Statement</u>	<u>Cash Deposits</u>	<u>Cash Withdrawals</u>	<u>Transfers of Principal In</u>	<u>Transfers of Principal Out</u>	<u>Balance of Principal</u>	<u>Preferential Transfers</u>	<u>Fraudulent Transfers</u>	<u>Fraudulent Conveyances</u>
11/26/2008	CHECK	(400,000)	-	(400,000)	-	-	3,450,000	(400,000)	-	-
12/11/2008	CHECK	(300,000)	-	(300,000)	-	-	3,150,000	-	-	-
4/15/2009	CANCEL CHECK NOT FUNDED PER TRUSTEE	300,000	-	300,000	-	-	3,450,000	-	-	-
	Total:	<b>\$ 19,645,000</b>	<b>\$ (16,195,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,450,000</b>	<b>\$ (2,350,000)</b>	<b>\$ -</b>	<b>\$ -</b>

<sup>(1)</sup> Although BLMIS statements reflect that funds were transferred into this account on this date, these funds consisted entirely of fictitious profits which were never achieved and thus no funds were actually transferred into the account on this date. Accordingly, the account balance has remained unchanged.